

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY CAIRO

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INFO AMEMBASSY ABU DHABI

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EO 11652: NA

TAGS: EAIR, EG

SUBJECT: CIVAIR: CRITICISM OF EGYPT-AIR PROCUREMENT PRACTICES

REF: (A) CAIRO 4898 (B) 75 CAIRO 1082

1. AL GUMHURIYA FEBRUARY 17 HEADLINED PEOPLE'S ASSEMBLY DEBATE ON EGYPT-AIR OPERATIONS. CLEAR IMPLICATION PRESS REPORTING WAS THAT EGYPT-AIR OFFICIALS RECEIVED ILLEGAL PAYMENTS IN CONNECTION WITH EGYPT-AIR ACQUISITION OF EIGHT BOEING 737S (REFTELS). ONE ASSEMBLY MEMBER CHARGED THAT EGYPT-AIR HAS PAID LE 2 MILLION MORE PER PLANE THAN SIMILAR AIRCRAFT PURCHASED BY JORDAN. SAME MEMBER INDICATED THAT DETAILS THIS OVERPAYMENT WIDELY KNOWN IN CIVIL AVIATION CIRCLES WORLDWIDE. ANOTHER MEMBER SAID THAT HE KNEW WHO HAD RECEIVED THESE ILLEGAL PAYMENTS. OTHER COMMITTEE MEMBERS CRITICIZED INEFFICIENCY OF EGYPT-AIR OPERATIONS.

2. AL-AHRAM FEBRUARY 17 REPORTED THAT EGYPT-AIR CHAIRMAN ERFAN HAD SUBMITTED HIS RESIGNATION FOLLOWING PEOPLE'S ASSEMBLY AVIATION DEBATE. NEWSPAPERS TODAY REPORT THAT EGYPT-AIR BOARD OF DIRECTORS REFUSED TO ACCEPT ERFAN'S RESIGNATION AND
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THAT HE IS CONTINUING AS CHIEF EXECUTIVE OFFICER OF EGYPT-AIR.

3. COMMENT: DETAILS OF HOW BOEING ARRANGED FOR ABU DHABI TO FINANCE PURCHASE OF THESE AIRCRAFT FOR EGYPT-AIR HAVE NEVER BEEN CLEAR, AND WE HAVE NO DETAILED BREAKDOWN ON \$93 MILLION EQUIPMENT AND SERVICE PACKAGE. CRITICISM OF BOEING DEAL IS REMINISCENT OF LAST YEAR'S FLAP OVER PURCHASE OF BUSES FROM IRAN. IN IRANIAN CASE, BUSES WERE MORE EXPENSIVE THAN MERCEDES BUSES PRODUCED IN INDIA (NOT IDENTICAL BUSES), BUT ASSEMBLY MEMBERS DID NOT REALIZE THAT PURCHASES HAD BEEN MADE UNDER CONCESSIONARY CREDITS TIED TO IRANIAN PROCUREMENT. IN CURRENT CASE, PLANES ARE ESSENTIALLY GIFT FROM ABU DHABI AND QUESTION OF THEIR PURCHASE TERMS SHOULD BE GREATER CONCERN TO UAE OFFICIALS THAN PEOPLE'S ASSEMBLY. WORLD-WIDE ATTENTION FOCUSED ON RUMORS OF ILLEGAL TRANSACTIONS INVOLVING U.S. COMPANIES IS PROBABLY ALSO A FACTOR CONTRIBUTING TO ASSEMBLY CONCERN.

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